

## Message Text

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11  
ORIGIN COME-00

INFO OCT-01 ARA-06 ISO-00 EB-07 TRSE-00 CIAE-00 INR-07

NSAE-00 L-03 /024 R

66612  
DRAFTED BY: COM/BIC/OED/MEPD/TJASPER/CF  
APPROVED BY: EB/OCA/CM/JSIMMONS  
COM/BIC/OED/MEPD/CATKINS  
STATE/ARA/MEX/GFALK (PHONE)  
TREASURY/ONS/KBRODERICK (INFO)  
COM/BIC/OED/RWILBOURN  
COM/BIC/OED/MEPD/JHEAGEN ACT DIR  
COM/BIC/OIM (INFO COPY)  
COM/BIEP/OITP/RADES (INFO)  
COM/BIEP/OITP/RADES (SUBS)

----- 021677

R 211715Z AUG 75  
FM SECSTATE WASHDC  
TO AMEMBASSY MEXICO

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E.O. 11652: N/A  
TAGS: BEXP, MX

SUBJ: LAS TRUCHAS STEEL EXPANSION

REF: MEXICO 7149; STATE 186199

1. THE COMPLETE REVERSAL BY LAS TRUCHAS ON THE PROPOSED  
TASK FORCE SHOULD BE CONSIDERED A HARBINGER OF CONTINUING  
BIAS AGAINST U.S. PROPOSALS AS WAS THE CASE ON PHASE I.  
AS EMBASSY AWARE MANY OF THE AMERICAN FIRMS WHICH  
PARTICIPATED IN PHASE I COMPETITION EXPERIENCED CONSIDERABLE  
EXPENSE WITH NO RETURN AS A RESULT OF CONTRACT AWARDS  
WHICH WERE POLITICALLY MOTIVATED. ACCORDINGLY, WITHOUT  
ASSURANCES OR OTHER POSITIVE INDICATIONS FROM SICARTSA  
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THAT MEXICO WILL NOT DISCRIMINATE AGAINST U.S. PROPOSALS,

WE ARE HESITANT TO ENCOURAGE FIRMS TO RESPOND. INDEED, WE FEEL THAT USG SHOULD ADVISE U.S. FIRMS OF THE PROBLEMS AND RISKS SO THAT THEY MAY TAKE THEM INTO ACCOUNT BEFORE COMMITTING PROPOSAL MONIES.

2. AS INDICATED IN REFTEL STATE 189199, ONE OF THE PRINCIPAL OBJECTIVES OF A TASK FORCE IS TO PROVIDE A HIGH-LEVEL FORUM FOR DISCUSSION OF PROJECT PARAMETERS. THE SESSIONS COULD HAVE BEEN A USEFUL ATTEMPT ON THE PART OF THE USG IN COOPERATION WITH GOM/LAS TRUCHAS TO ALLAY ANY NEGATIVE CONCEPTS WHERE SUCH MISCONCEPTIONS EXIST. IT NOW APPEARS THAT A JOINT USG/U.S. INDUSTRY DELEGATION IS ALL THE MORE IMPORTANT TO DISCUSS THE ISSUES AND RECEIVE CLARIFICATION ON GOM POLICY.

3. FYI. THERE IS NO IBRD RULE TO OUR KNOWLEDGE WHICH WOULD PROHIBIT THE MEXICANS FROM HOLDING UNILATERAL DISCUSSIONS WITH AN AMERICAN DELEGATION. MEPD RECENTLY CONDUCTED A TASK FORCE TO BRAZIL TO ADDRESS THEIR MAJOR STEEL PROGRAM WHICH IS ALSO BEING FINANCED BY THE IBRD/IDB. AT NO TIME DID THE BRAZILIANS EXPRESS ANY CONCERN REGARDING WHETHER THESE UNILATERAL MEETINGS WERE CONSISTENT WITH IBRD GUIDELINES. ON THE CONTRARY, WE BELIEVE THE IBRD WOULD FAVOR SUCH A MEETING. END FYI.

4. THIS IS NOT THE FIRST TIME WE HAVE SEEN ORIVE ALBA SEEMINGLY OVERRULED BY HIGHER AUTHORITIES ON A MATTER CONCERNING U.S. COMMERCIAL INTEREST. SINCE PHASE II HAS MAJOR COMMERCIAL IMPLICATIONS, WE SUGGEST THIS MATTER BE BROUGHT TO THE ATTENTION OF OTHER CONCERNED AGENCIES IN BOTH MEXICO AND WASHINGTON. FURTHER, WE WOULD APPRECIATE EMBASSY APPRISAL OF WHO HAS THE DECISION MAKING RESPONSIBILITY FOR THE LAS TRUCHAS PROGRAM SO THAT U.S. INDUSTRY MAY MAKE THEIR OWN ASSESSMENT.

5. WE ARE PREPARED TO GIVE FULL SUPPORT TO EMBASSY IN CONTINUING PROGRAM TO OPEN OPPORTUNITIES FOR U.S. FIRMS. WE RECOMMEND EMBASSY DISCUSS THIS MATTER WITH HIGH LEVEL GOM AUTHORITIES AND ADVISE CONCERNING NEXT STEP IN USG ACTION.

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MAW

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NNN

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